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South Dakota Economic and Marketing Review

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Extension Leaflet 152

February, 1954

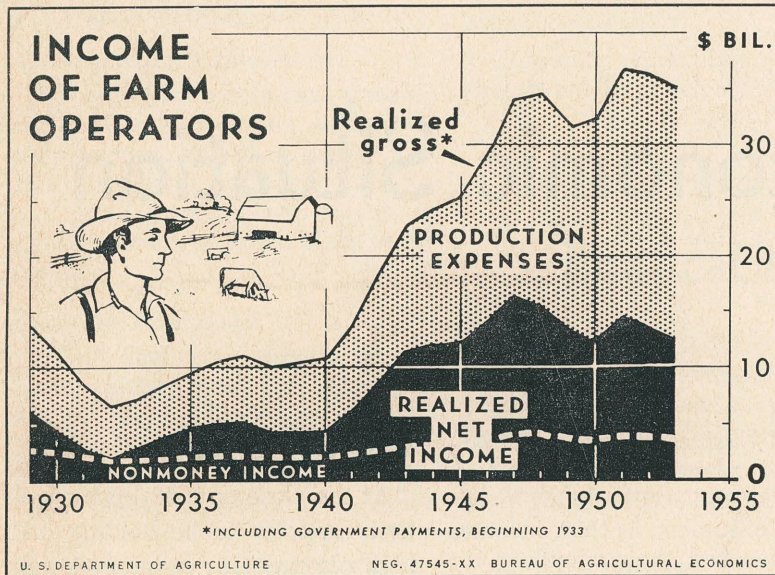
SOUTH DAKOTA

Economic and Marketing

Review

*of
agriculture
and
homemaking*

for 1954



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1. The demand for agricultural products will continue to be fairly strong
2. Total agricultural production will continue high if weather conditions are normal
3. Agriculture will still be faced with an adjustment problem. A continuation of the current cost-price squeeze is likely.

AGRICULTURAL EXTENSION SERVICE
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General Economic Situation

Slight Drop Possible In Business Activity

There is a real possibility that general business activity may decline slightly to moderately in 1954. The demand for agricultural products is not likely to change much. Total supplies, production and carryover of most agricultural products will be high. Prices received by farmers may decline slightly. Some further easing in prices paid by farmers is expected.

The parity ratio may average around 90 per cent in the year ahead. Net farm income may be down slightly. South Dakota farmers with well balanced farming programs should fare reasonably well.

Where Have We Been?

For the past three years, 1950 through 1952, we have been enjoying a situation in which prospective demands have been increasing each year. We were expanding our defense program. State and local governments were spending more for schools, highways, and other public

facilities. Business men were building new plants, adding modern equipment and accumulating inventories. Consumers, as their incomes rose, increased their spending for food, housing, and other goods and services which make up a rising standard of living.

Production rose further in industry and agriculture to meet these needs. In the early part of the period all prices rose rapidly. But 1952 saw farm prices turn definitely downward, wholesale prices declined a little and consumer prices held quite steady.

Where Are We?

At the close of 1953 business activity appears to be holding on a high plateau. Our economy is fully employed. Production in agriculture and industry are at high levels. Wholesale and consumer prices are steady at high levels. Farm prices have declined considerably but appear to be stabilizing. Our gross national production, as shown in the table below, moved up to a high level by mid-year and held about at that level in the third quarter.

The Nation's Gross Product and Expenditures (annual rates)

	Billions of Dollars			Billions of Dollars					
	1952			1953					
	1	2	3	1	2	3	1	2	3
Gross National Product	101	211	348	340	345	345	362	372	371
Personal									
Consumption Expenditures ..	72	147	218	214	217	217	228	230	233
Durable goods	8	17	27	26	27	25	30	30	31
Non-Durable goods	38	86	119	117	118	119	121	122	123
Services	27	45	73	71	72	73	76	78	79
Gross Private									
Domestic Investment	14	29	53	50	50	52	54	61	57
Net Foreign Investment	2	5	-----	2	1	-2	-2	-3	-1.5
Government Purchase of									
Goods and Services	14	31	78	74	78	78	82	84	82
Federal	6	21	54	51	55	55	57	51	57
State and local	8	10	24	23	23	25	25	25	25

What's Ahead?

It is extremely difficult to call the turning points in business with any degree of accuracy. In appraising the outlook for the coming year we must remember we live in a "no-peace-no-war" kind of a world. Activities in the civilian sectors of our economy appear to be the key to our economic well being next year.

Governmental Expenditures

Spending by our federal government, already declining, will probably continue to decline further. On the other hand, spending by state and local governments, which is holding steady so far, is likely to increase.

Plant and Equipment

Some decline in private investment appears probable. The productive plant of American industry has been enlarged greatly in the past few years. Also much of the defense-related expansion in capacity is nearly completed. The movement of people to suburban areas will encourage continued commercial construction.

Business Inventories

Business inventories are one segment in the economy to watch closely. Inventories have been rising at a rapid rate and now exceed our consumption rate. Some slight decline in inventories appears most likely.

Housing

Housing starts have declined since last spring. Some further slight decline is in prospect for 1954. Any serious decline may be offset, in part, by the easing of mortgage financing.

Consumer Spending

Consumer spending depends mainly upon consumer incomes. Consumer's incomes, in the short run, depend upon the level of employment. Since some decline in private investment, housing and government expenditures is expected, a slightly lower level of employment, shorter work week and less over-

time is likely. Reduction in income stemming from these factors will in part be offset by rising wage rates, scheduled income tax reductions beginning January 1, and use of unemployment compensation.

Total consumer income may be near the level of 1953 for the year ahead. Some expenditures by consumers will be reduced—especially durable goods.

Consumer spending for food should not be much affected if in-

come holds. Consumer spending for food has continued at 27 per cent of consumers' income through most postwar years including the recession of 1949.

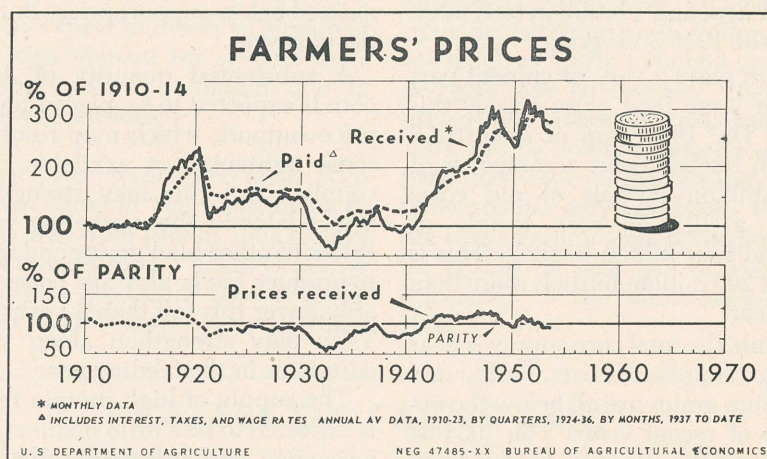
Foreign Demand

Our net trade position with foreign countries may not change much in the year ahead. Agricultural exports have decreased about 30 per cent from a year earlier while exports of non-agricultural goods have increased.

Implications for Agriculture

Supplies of most farm products are expected to continue large in 1954. Carryover stocks may increase further with most of it held by our

ings in 1954 are not likely to equal the 31.2 billion expected for 1953 and may be down 5 per cent. Production costs may decline slightly.



government. Acreage restrictions on important crops may reduce production somewhat.

Agriculture may expect prices received to decline slightly, but on the whole to hold near current levels. Prices paid by farmers may decline slightly on the average. However, prices paid for industrial items may remain fairly steady. Under such conditions the cost-price squeeze may not get any worse in 1954. Some further slight decline in the parity ratio is a possibility.

Cash receipts from farm market-

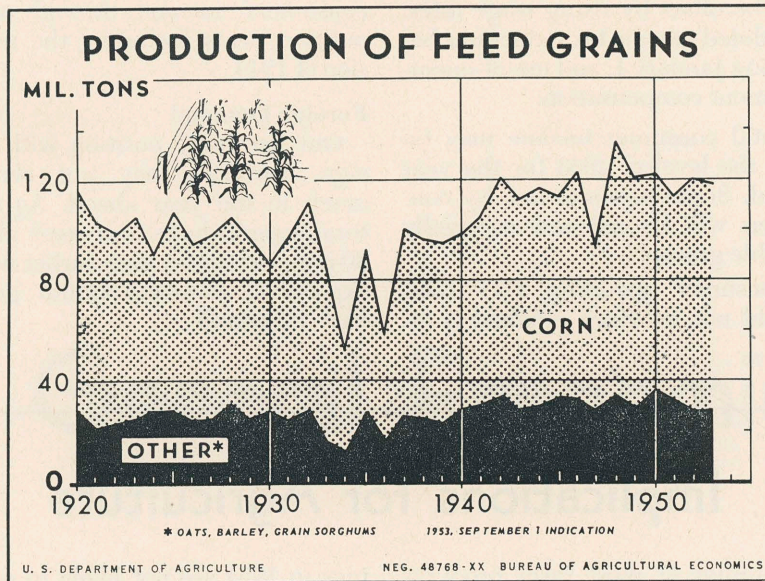
As a result farmer's net income in 1954 may be close to the 1953 expected level of 12.5 billion dollars.

Feeds, Feed Grain Outlook for 1954

Feed Supplies in U. S.

The total supply of feed concentrates, including feed grains and by-product feeds, is estimated at 172 million tons for the 1953-54 feeding

S. D. Supplies Big



season. This is about two per cent (nearly 3½ million tons) larger than a year ago, and 10 million tons more than the 1946-50 average.

Corn plays a very prominent part in our large feed grain supply this year. The 1953 crop of almost 3.2 billion bushels, plus a carryover of 800 million bushels of old corn, gives a 1953-54 corn supply of around four billion bushels. This is about 200 million bushels more than last year.

While the total corn supply is near record, supplies of oats, barley and sorghum grains are all below the average of recent years. The 1953-54 corn supply appears to be large enough to meet this year's requirements and still leave a carryover of around 900 million bushels, which would be an all time high.

The consumption of feed grains during this 1953-54 feeding season is likely to be smaller than the 1953 production of feeds, mainly because of fewer hogs this winter and also somewhat less cattle feeding than a year ago. Feed grain supplies per animal unit are three per cent greater than last fall and also the 1946-50 average.

Prices of feed grains for the 1953-54 feeding season are likely to aver-

age slightly below those of last year as a whole. Corn prices have remained below support prices during the past year.

A substantial quantity of 1953 corn is expected to be placed under price support, which may result in some tightening of available corn supplies and this may strengthen prices later in the marketing year. Prices of other feed grains and most byproduct feeds also are considerably lower this fall than a year ago. They may strengthen along with corn later in the feeding year.

The supply of high protein feeds is expected to be a little smaller than a year ago, with practically all of the reduction in soybean meal. Prices of most feeds have declined during the past year and are expected to remain somewhat lower this fall and winter than a year earlier. However, they may advance later in the feeding season, especially if hog and poultry production increases in 1954.

Total hay supply for 1953-54 in the U. S. is slightly larger than last year and five per cent above the 1946-50 average. Hay supplies vary widely by areas, however, as drought sharply reduced the hay crop in some sections.

Total feed grain supplies in South Dakota for this 1953-54 feeding year are roughly about 20 per cent greater than a year ago. The 1953 corn crop of 136.5 million bushels in the state was 32 per cent more than the 1952 harvest and 34 per cent above average. Stocks of old corn on farms were also higher than usual. Oats and barley production, on the other hand, were down slightly from the 1952 crop, but the reduction was more than offset by the large corn crop.

Hay supplies in the state for the 1953-54 feeding season should be more than adequate. A record production of almost six million tons of all hay was produced in 1953. This was 48 per cent larger than the 1952 hay crop and 79 per cent above average. Hay prices this fall have been running about 20 to 30 per cent less than a year ago, mainly because of the very large 1953 hay crop in the state.

Large Stocks Seen For Year From Now

The total supply of feed concentrates in the U. S. one year from now will probably again be larger than average, mainly as a result of large carryover of feed grains from the present feeding season. Even if the 1954 feed crop production should fall 10 per cent below the 1946-50 average, the total feed supply would still be slightly above average.

Corn acreage allotments in 1954 (if they are put into effect) would result in some reduction in the commercial corn producing areas. However, larger acreages of other feed grains are in prospect because of acreage restrictions on wheat and probably on corn. This could largely offset the effects of a smaller corn acreage. Back in 1950, when acreage allotments were in effect for

wheat, cotton and corn, the total production of all feed grains went up slightly.

The support price on 1954 corn will again be set at 90 per cent of parity. But if acreage allotments are in effect, the full 90 per cent support will be available only to producers in the commercial corn producing areas. Farmers outside the commercial area would be eligible for price support at 75 per cent of the level of price supports in the commercial area. Oats, barley and grain sorghums produced in 1954 will be supported at 85 per cent of parity. The national average support rates for oats will be 75 cents a bushel, for barley \$1.15 a bushel, and for grain sorghums \$2.28 per cwt.

A problem of many farmers in 1954 will be what crops to grow on land diverted from wheat and also probably from corn. Some farmers may have few other alternatives than to raise feed crops or to fallow the land. One other alternative for other farmers is more legume or grass crops for hay and improved pasture.

In general, this is a long-time desirable shift. However, it takes time to plan and carry out seedings of legumes and grasses and building up livestock herds to use additional forage crops. But a beginning on this longer time desirable shift can be made on many farms in 1954 by seeding more acres of legumes and grasses next spring.

The latter part of this year has seen stability in feed cattle prices with feeder prices fluctuating as crop and weather conditions changed. The year 1954 is likely to be one of greater stability than the past year. The major adjustments in slaughter and prices lie behind us. No great improvement is seen for beef cattle prices as compared to recent levels.

Seasonal trends in prices will again occur in 1954. Fed cattle will be under pressure during the winter and spring and then improve later in the year. Prices of stocker and feeder cattle will rise to a spring peak and then begin a normal decline to a low during the peak marketing of grass cattle next fall. With this kind of cattle expected to be in abundant supply price spreads between the low and top grades will again be wide.

The outlook for cattle feeding is definitely better than has been the case the past two years. The decline in feeder cattle prices in comparison to slaughter cattle indicates normal margins may be realized. The volume of fed cattle to be marketed in 1954 will be down compared to the past two years. South Dakota and Ohio are the only two states showing larger inshipments of feeder cattle during the last half of 1953 as compared to the same period in 1952.

Livestock and Meat Situation

Cattle Trends

Considering cattle outlook and trends for next year, two things come to the front. One is the big increase in cattle slaughter this year. The other is the big drop in cattle prices.

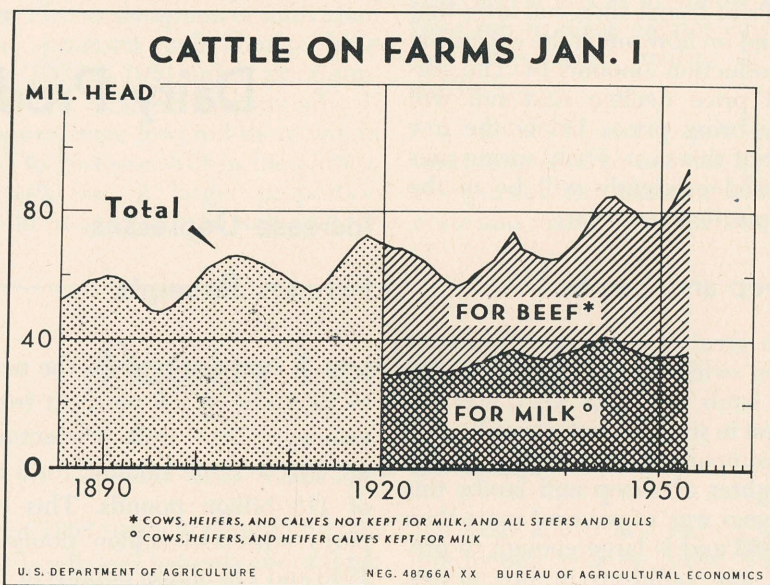
Slaughter

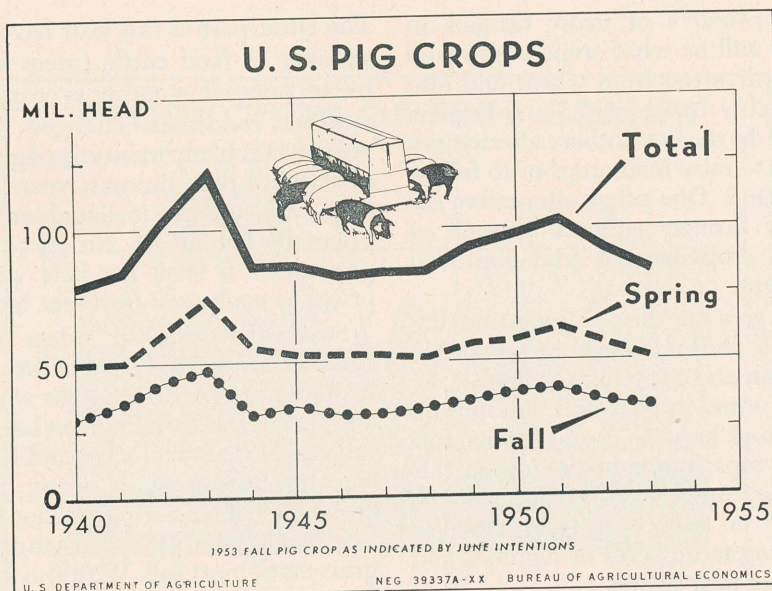
Most indicators pointed to a substantial increase in slaughter but few expected a jump of 30 per cent over 1952. This year total slaughter will run around 36 million head as compared to 28 million in 1952. On a per capita basis it would allow approximately 75 pounds per person as compared to 61 last year. Next year a total slaughter of about the same number is expected with the runs being made up of fewer fed cattle and more grass animals. This would mean slightly fewer pounds of meat produced as lighter weights would prevail. Cattle numbers are expected to level off this year after building up to a peak of 93.7 million. South Dakota cattle population reached a high of slightly over three million on Jan. 1, 1953. Many ob-

servers expect numbers to remain at this high plateau for several years barring heavy liquidation due to drouth conditions.

Prices

Past price trends are fairly well known. Most of the adjustment in prices was from July of 1952 to July of 1953 with feeder cattle breaking sharply in the fall of 1952 and followed by fed cattle early in 1953.





Profit in Hogs

Despite the expected larger spring pig crop in 1954 hog production will be a profitable enterprise. With most of the livestock news being made by cattle this year hog prices have been out of the spotlight. They have been the highest for any year except 1947 and 1948.

With a favorable corn-hog ratio, as seen this year, the tendency in the past has been to raise larger pig crops. A 5 to 10 per cent increase is anticipated in the 1954 spring pig crop. These pigs will not put pressure on prices until marketed next fall. Price trends then and after that depend on how much the expansion in production amounts to. The seasonal price decline next fall will likely bring prices below the low point of this year. Early spring pigs if raised efficiently will be in the best position next year.

Sheep and Lambs

No great changes or new trends are in evidence for sheep in 1954. The lamb crop this year was the largest in six years but was still small in comparison to earlier years. Slaughter of sheep and lambs this year was 12 per cent more than in 1952 and is large enough to prevent any build-up in inventories.

Lambs made up a larger percentage of total slaughter than normal which would indicate that breeding flocks are being maintained but are not being built up. Slaughter in 1954 is expected to run a little below 1953.

Prospects for profits in feeding lambs appears promising. As in cattle feeding, margins will be more adequate, corn and hay is lower priced, and fewer lambs are being fed according to data on inshipments of feeder lambs to the nine Corn Belt states. South Dakota and Wisconsin are the only two states where the number to be fed will

probably be equal to last year's number.

Prices of wool in 1954 will again be mainly determined by the support price. From January to September the 1953 price averaged 53.2 cents per pound. The 1954 price will not differ greatly from this.

Grass, Legume Shift A Needed Adjustment

Increased production per acre of grain has made it possible to release more acres for grasses and legumes. Considering population increases it is evident that more livestock and livestock products will be needed in the next five years or so. Shifts to a better balance of grass and legumes with grain, started now, would bear fruit at a time when the demand for livestock would likely be stronger. This type of adjustment offers real opportunities in the central and eastern areas of the state.

To avoid undue income pressures efforts on some farms should be directed to increasing production per unit thus lowering costs. On other farms of a desirable size and rather high production, emphasis should be placed on lowering cost per unit without increasing production.

Dairy Production Boosted

In South Dakota milk cow numbers held steady in 1953 at 350,000.

The national demand for milk has not changed from the 694 pounds per person used in 1952. In 1952 the per capita consumption of milk and its equivalent in other dairy products, except butter, averaged close to 250 quarts per year. This is about equal to minimum nutritional standards. The demand for cheese and evaporated milk has held steady, but condensed milk and

Increase Depresses

Farmers Receipts

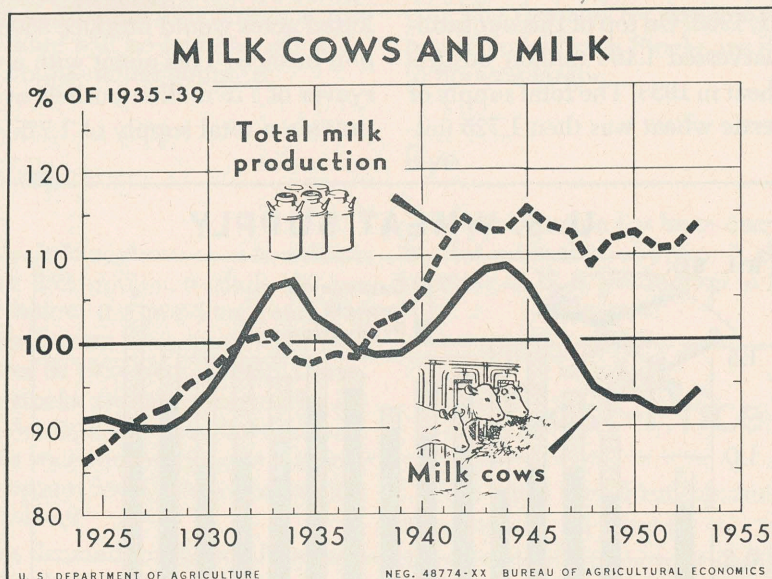
Milk cow numbers for the nation in 1953 are up 2.6 per cent from a year ago. Total milk production is up, by the same amount, for a total of 118 billion pounds. This compares with 113 billion pounds in 1948 and 115 billion pounds in 1952.

dried milk have declined. Butter use is holding steady despite lower retail prices and strong consumer demand. The demand for low-fat and fluid skim milk is slightly improved. In 1953, commercial and farm use of

1953. Milk cow numbers may increase slightly and total milk production may exceed slightly the 118 billion pound level for 1953. In addition the carryover of manufac-

cream and less in the production of butter, American cheese and non-fat dry milk.

Under these demand and supply prospects received by farmers for butterfat and whole milk will tend to decline slightly. The level of prices for dairy products will depend on the government support level for the new marketing year which begins April 1, 1954. Under existing law, the Secretary of Agriculture may set the support for milk and butterfat at between 75 and 90 per cent of parity. Even if prices are set at the 90 per cent level supports will be lower than a year earlier because of a slight decline in prices paid by farmers.



milk and its products will be about equal to 115 billion pounds of whole milk. Comparing total milk use with total milk production indicates our present surplus position is relatively small.

Government purchases supported prices of butter, cheese, and non-fat dry milk throughout the year. Government purchases are likely to run about five per cent of all milk marketed. For 1953 government purchases are a record and up to September of this year included 343,864,000 pounds of butter; 272,782,000 pounds of cheese and 513,461,000 pounds of non-fat dry milk solids.

Prices to dairy farmers for both milk and butterfat in 1953 will average lower than in 1952. Since market outlets have not expanded, much of the decline in prices received by farmers can be attributed to the increase in milk production.

Consumer demand for milk products will be about as strong as in

tured products will be large. The total supply of milk and dairy products in 1954 may be equivalent to about 128 pounds of whole milk, compared with 124 million pounds in 1953.

Commercial and farm uses of milk and its products in 1954 may not be much different from 1953 uses. The consumption of individual dairy products will change little from 1953 to 1954 unless price supports are reduced substantially. If supports were lowered there would tend to be some shift in the pattern of milk use. A larger proportion would be used in fluid milk and ice

Recommendations

1. Dairy farmers outside of the fluid milk areas should study carefully the possibility of a shift from cream to whole milk. Both butter and dried skim milk are in surplus at present price levels.

2. Dairy farmers with adequate size herds should seek out means of lowering the costs of milk or butterfat production without increasing production.

3. Farmers now producing butterfat or planning to shift to dairying may find it just as profitable in the long run to place greater emphasis on sheep, hogs, poultry or beef cattle.

4. Some farmers with smaller units may need to increase production per cow as a means of reducing costs and maintaining income.

Poultry Looks Profitable

Eggs and Chickens

For 1953 national egg production will be a record but only about three

per cent above last year. Chicken production will be down slightly.

The demand for both eggs and chickens has been good. Egg prices were above a year ago.

South Dakota egg production in 1953 may be only slightly below last year. Egg prices in the state will average moderately above a year earlier, while chicken prices were slightly lower.

The outlook for 1954 points to a very slight increase in the numbers of layers and in egg production. More chickens will be raised. Egg prices are likely to be almost as high in the spring of 1954 as they were last spring. Chicken prices may be almost as good as a year ago.

Broilers

Broiler production may show a small increase in 1954. Some increased competition from pork may be expected. The price of broilers may be lower in the year ahead.

Turkeys

Turkey production in the nation in 1953 was eight per cent less than in 1952. In South Dakota 12 per cent more turkeys were raised in 1953 than a year ago. So far in 1953, turkey prices have been about the same as in 1952. Cold storage holdings of turkey are about the same as last year. Turkey prices for the remainder of the year may be about the same as a year earlier.

The outlook for 1954 is for a moderate increase in turkey production. Prices may average lower than 1953 levels unless production is cut back.

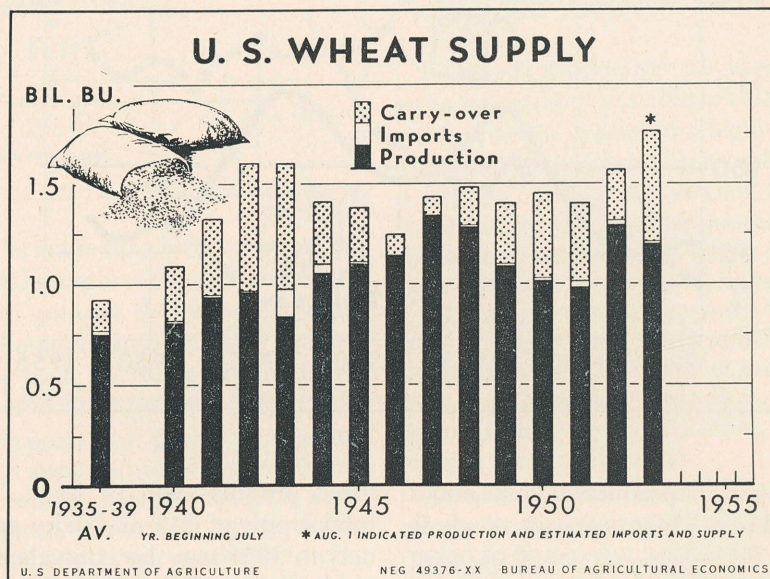
Recommendations

Expansion and better care of supplementary poultry flocks will be profitable on most farms. Major emphasis should be placed on commercial egg flocks. Market eggs frequently. Sell on grade where such markets are available. Efficient producers of turkeys may profitably increase production in 1954.

Wheat Prospects in '54

Grain bins in the United States held 562 million bushels of wheat on July 1, 1953. On top of this our farmers harvested 1,163 million bushels of wheat in 1953. The total supply of domestic wheat was then 1,725 mil-

3,164,666 acres, down 17 per cent from 1953. Average yields on the allotted acres would produce 950 million bushels. This along with a carryover of 775 million bushels would provide a total supply of 1,725 mil-



lion bushels—a record. South Dakota's total wheat crop of 30,900,000 bushels was two per cent below 1952. Wheat stocks for July, 1953, in the main exporting countries were 50 per cent above 1952.

Durum wheat supplies in the U. S. are estimated at 31 million bushels—the lowest since the 1936-37 year. Durum wheat production in South Dakota was down 37 per cent.

We'll likely use about 700 million bushels of wheat in the U. S. in the 1953-54 market year. Our exports will probably do well to hold around 250 million bushels compared with our peak of 506 million bushels in 1949. This would leave a carryover of around 775 million bushels next July.

The national acreage allotment of wheat for 1954 is 62,000,000 acres or 20 per cent below 1953 plantings. South Dakota's acreage allotment is

lion bushels, equal to the supply for the 1953-54 year. Above average yields would likely result in increased carryovers and the necessity of reducing acreage still further the following year.

Wheat prices for the 1953-54 marketing year may average below a year earlier. They were also below the loan rate at harvest time. Prices will strengthen as the year progresses. Durum wheat prices are considerably above the loan rate due to small supplies. Prices for high quality, high protein wheat are much above the average price of wheat.

The price of wheat in 1954-55 marketing year will be supported at 90 per cent of parity but not less than \$2.20 a bushel national average. Prices are likely to be below support levels at harvest time and then improve as the season advances.

The adjustment problems facing the wheat producer in the next few years are great. Strive for high yields. Shift excess acres to next highest value crop such as barley, oats, corn or sorghum, flax and hay and pasture. Expand durum wheat in areas adapted to it. Prices at harvest time will be low enough to favor storage under supports.

Soybeans

The 1953 soybean crop is estimated at 252 million bushels, 14 per cent below the previous year. The South Dakota crop was 17 per cent greater in 1953 than in 1952. Carry-over stocks are fairly large. The export demand has been fairly strong. Prices received by farmers are near the support level but are below last year's level.

The demand for the total soybean crop in 1954 may not change much. Demand for oil may not increase. The export demand for beans appears good. Soybean meal demand will increase if the expected increase in poultry and hog production becomes a fact.

Production of soybeans may increase in 1954 resulting in lower prices. Soybean prices may increase seasonally between now and the new crop. Price supports have not been announced for the 1954 crop.

Flaxseed

Total supplies of flaxseed and linseed oil at the beginning of the new crop year were very large. Stocks of linseed oil in terms of flax were 30.8 million bushels. Flax production in 1953 was a little over 39 million bushels, up 26 per cent over 1952. The total annual use of flax is about 30 million bushels. Flax production in South Dakota was 6,660,000 bushels, 60 per cent above 1952. Prices received by farmers in 1953 are below both the support level and prices a year earlier.

The outlook for 1954 is for lower prices of flax. Flax from the 1954 crop will be supported at \$3.14 a bushel, national level, or 70 per cent of parity. Production in 1954 may be maintained since wheat acreage is cut. The demand for flax is not expected to increase. Stocks are likely to become larger.

Rye

Rye production has been decreasing for a number of years. A slight increase in U. S. production in 1954

is likely. General demand for rye may not improve much during the year. Prices are supported at 90 per cent of parity.

Potatoes

Because of depressed prices in 1953 some reduction in the 1954 potato acreage is likely. Unless the early crop of potatoes is considerably smaller prices of potatoes in early 1954 may be relatively low. Prices of late potatoes will depend on spring plantings and growing conditions.

Cost-Price Squeeze Holds

Cost rates for farm production items eased off slightly in 1953. Some further decline is probable in 1954. Prices received by farmers for products sold also may average slightly lower next year. This means that the cost-price squeeze is likely to continue in 1954.

The U. S. parity ratio was 91 in October 1953, compared with a ratio of 99 a year earlier. This drop was due primarily to the 11 per cent drop in average prices received by farmers, while at the same time average prices paid by farmers declined only slightly. The parity ratio may decline further within the next 12 months.

Prices paid by farmers for all commodities and services used in

production dropped about three per cent from October, 1952 to October, 1953. This slight decline resulted mainly from the declines in prices of farm-produced items, such as purchased livestock, feed and seeds. Prices of industrially produced items changed very little. Taxes, interest payments, and wage rates rose. A somewhat similar situation is likely to prevail during the coming year.

The outlook for 1954 is for farm wage rates to stay about where they now are and show very little change. In the year ahead there may be a slight increase in the over-all supply of farm labor, but the supply of experienced year-round workers is likely to continue tight. Non-farm

Trends in Farm Production Cost Rates
(Indexes of Prices Paid by U. S. Farmers, 1910-14 = 100)

Item	1947-49	October 1952	October 1953	% Change Oct. to Oct.
Farm wage rates	430	499	515	up 3%
Farm machinery	239	310	312	up 1
Fuel and motor supplies	140	157	162	up 3
Real estate taxes	270	353	371	up 5
Autos, trucks, tractors	290	358	359	same
Fertilizers	143	157	157	same
Building and fence materials	296	350	348	same
Farm supplies	235	284	279	down 2%
Seeds	242	264	232	down 12
Purchased livestock	348	363	258	down 29
Purchased feed	231	249	216	down 13

job opportunities will continue to lure some of these workers from farms.

Machinery, Power

List prices of new machines in 1954 probably will change very little from current prices, but price concessions and trade-in allowances may be more liberal. Good buys may be available in both new and used machines for the man who shops around and does some bargaining. Machinery supplies for 1954 should be fully adequate. Prices paid by farmers for gasoline in 1953 were higher than for any previous year.

Seed Supplies

The total supply of 23 different legume and grass seeds in the fall of 1953 is 29 per cent below that of last year, but five per cent above the 1942-51 average. Kinds of seed in shortest supply included crested wheatgrass. On the other hand, dealer and government carryover stocks of alfalfa and red clover seeds are much above average.

Between now and next spring no sharp changes are expected in prices farmers have to pay for most seeds. However, based on current

supplies and price trends, it appears wise for a farmer to cover his requirements for those seeds in short supply, such as crested wheatgrass, as soon as possible. In cases of seeds for which supplies appear adequate, prices may not change much, but by buying early one is more likely to secure seed of desired quality and variety.

Fertilizers

On the whole, little change from present levels is expected during the coming year for prices of commercial fertilizer. Supplies of nitrogen for 1954 are likely to exceed those of the past season by about 11 per cent. Phosphate supplies are expected to be up by as much as 12 per cent, and potash by 15 per cent. While total fertilizer production is likely to be up next year, some high-analysis nitrogen and phosphate fertilizers may be hard to get during seasons of peak use and demand.

When prices for farm products decline, farmers tend to cut out or reduce fertilizer application more than would be profitable. As a result, the smaller fertilizer application reduces yield and crop values more per acre than the saving in the cost of the fertilizer. In spite of low crop prices at present, fertilizer

remains a good buy. Selective further increases in the use of commercial fertilizers, especially nitrogen, should prove profitable for many farmers.

Building Materials

Prices of farm building materials and farm supplies have changed very little during the past two years.

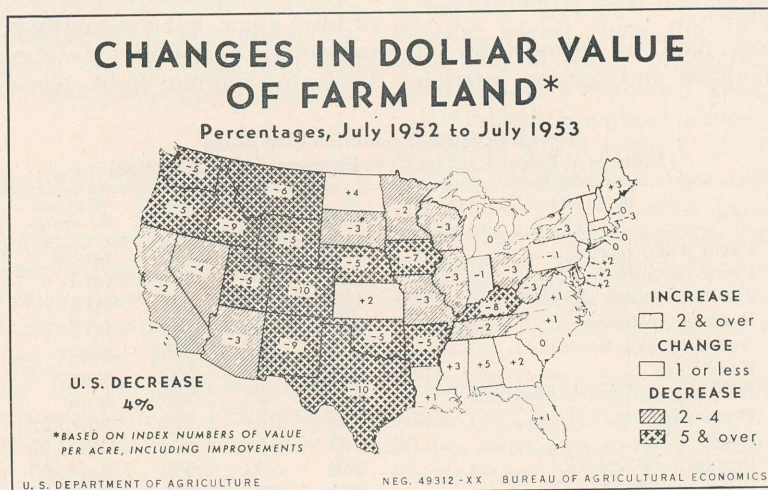
In 1954, prices of building materials, supplies and containers probably will not be any higher than they are now. There is some possibility of slightly lower prices and more price concessions. With some decline in residential and industrial construction probable, building materials and supplies should be plentiful. Prices of most pesticides are lower than a year ago and probably will remain at about present levels in 1954.

Tax Boosts Seen

In South Dakota, farm real estate taxes followed the national trend and went up somewhat in 1953, but by less than the average of all states. Taxes payable in 1953 in South Dakota were 2.6 per cent higher per acre than the year before. A similar increase can again be expected for taxes payable in 1954.

Farm Land Values

Farm real estate values have shown a gradual downward trend since November, 1952, as prices received for cattle and other major farm products have declined. In South Dakota, prices of farm real estate dropped an average of three per cent during the past year and are likely to continue the moderate rate of decline in 1954. No serious break in the farm real estate market is expected. Farm mortgage debt outstanding on South Dakota farms and ranches is now almost one-third higher than on Jan. 1, 1949, and is likely to increase further in the coming year.



Rural Family Living Costs

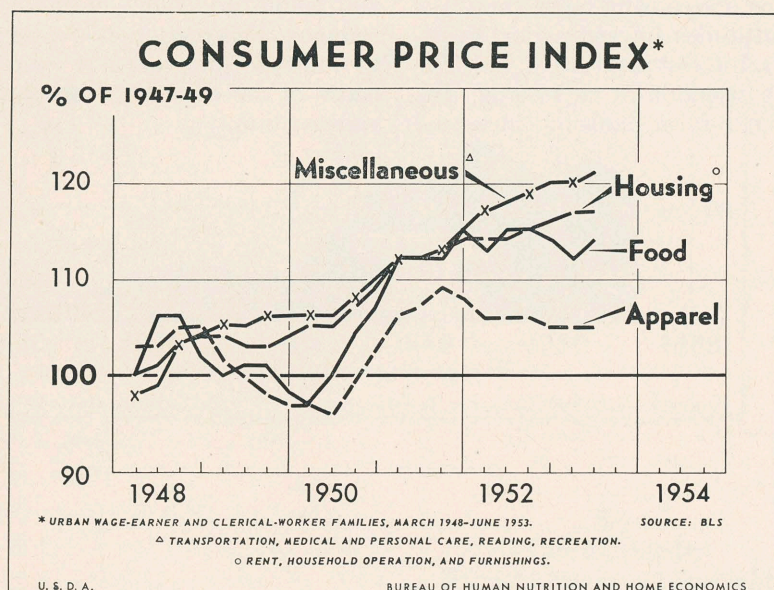
The over-all picture of living costs in 1954 is one of stability. Higher prices in some phases of the family budget are cancelled out by lower prices in other parts.

The most significant trend is the increasing costs of services. These are included in "miscellaneous" in the chart of the consumer price in-

dex. The costs of medical care, public transportation, telephone and gas rates, laundry, dry cleaning, domestic help and urban rent have increased. City renters and others for whom these services are a large budget item are almost certain to be faced with higher living costs. Rural families who must pay for consider-

able medical care and personal services may feel more than average pressure from rising costs.

From the chart showing the index of prices paid by farmers for family living, it is evident that many of the family budget items have declined slightly. The cost of owning and operating an automobile is strikingly high and no great change can be predicted at this time. Automobile purchases in 1953 have been about one-third higher than the year before. This substantial rise in new car buying has an important effect on family budgets. It is one of the principal causes of the rise in consumer debt.

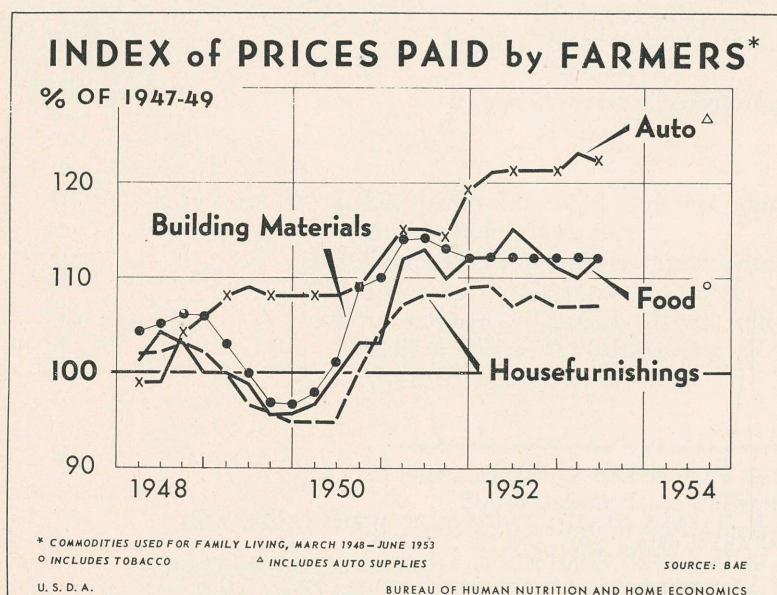


Food Costs Steady

Retail food prices in 1954 will average close to the 1953 level. Demand is holding steady and is not expected to change unless income drops.

Crop conditions in most parts of the world have been favorable to food production. Part of the 1953 near-record output will be consumed in 1954. Average growing conditions next year will produce another good crop output. Large numbers of cattle are on farms. Marketing of these cattle is expected to be close to the high 1953 level. Retail prices for prime and choice grades of beef are expected to be high. Lower grades of beef should be good buys. Pork consumption this past year has been the smallest in 10 years. Increase in the supply of pork is expected in the latter part of 1954. Supplies of all food fats and oils except lard are expected to be large.

Because of the larger supplies, meats, eggs, potatoes, sweet potatoes and some of the fruits may be



available at somewhat lower prices. Prices of most fresh fruits and vegetables, dairy products and many other foods will continue about the same. Processed foods and fresh foods requiring special marketing services will be higher in price.

Clothing Prices

Clothing prices have been slowly drifting downward. As production of newer man-made fibers increases, some decline in prices is to be expected. There is a good supply of natural fibers and these will be extended by using more man-made fibers with them. Increased use of fiber blends is in the picture. The

prices for most textile articles are expected to continue at approximately the same levels as in 1953. Footwear remains the most expensive clothing item.

House Construction

New farm house constructions and major housing improvements on farms are expected to decline in 1954. Hardship cases caused by weather conditions this past year and the two years of farm income decline are causing more conservative attitudes toward major investments. Interest rates are higher. The credit situation is tightening. Private non-farm housing increased

slightly last year but is expected to decline some next year. Supplies of building materials are adequate.

Home Equipment

Equipment prices have changed little in the past year. Increased supplies are being accompanied by better "trade-ins," special discounts and sales. Purchases of household electrical appliances, radio and television are high. Buying of furniture and home furnishings is somewhat reduced. This reduction is expected to continue into the next year because of the decline in new house construction.